

Message Text

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ORIGIN ARA-20

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

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E.O. 11652 N.A.

TAGS: EFIN, BL

SUBJECT: IMF MISSION TO BOLIVIA

REF: LA PAZ 493

1. WE HAVE HAD INFORMAL DISCUSSION WITH IMF REPRESENTATIVES HERE ON BOLIVIAN ECONOMIC SITUATION AND PROSPECTIVE IMF MISSION. AT PRESENT IMF BELIEVES THAT MISSION SCHEDULED FOR EARLY MARCH COULD BE USEFUL IN ADVISORY CAPACITY EVEN IF PROSPECTS FOR REACHING AGREEMENT ON STANDBY ARE UNCERTAIN. IN FUND'S VIEW, OUTLOOK FOR BOLIVIAN ECONOMY IN 1974 IS POTENTIALLY QUITE FAVORABLE, DUE PRIMARILY TO INCREASED EXPORT EARNINGS FROM PETROLEUM (ESTIMATED BY IMF AT \$100 MILLION), BUT WHETHER THESE RESOURCES ARE EFFECTIVELY UTILIZED WILL DEPEND UPON GOB'S 1974 FISCAL AND MONETARY POLICIES. SINCE GOB IS PRESENTLY IN PROCESS OF FORMULATING THESE POLICIES, IMF FEELS ITS COUNSEL AT THIS TIME COULD PLAY BENEFICIAL ROLE. SHOULD GOB-DECIDE TO ASK FOR-POSTPONEMENT OF MISSION, HOWEVER, IMF TIGHT SCHEDULE IN NEXT TWO QUARTERS MAKES IT UNLIKELY MISSION WOULD BE ABLE TO COME TO BOLIVIA BEFORE THE FALL.

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2. SINCE INVESTMENT IN 1971 AND 1972 REACHED 13-14 OF GDP, ACCORDING TO IMF STATISTICS, IMF DOES NOT BELIEVE INVESTMENT EXPENDITURES IN 1974 OF 15 OF GDP WOULD BE

UNREALISTIC OR EXCESSIVE. AGAIN, HOWEVER, ECONOMIC IMPACT WILL DEPEND ON GOB MONETARY AND FISCAL POLICIES, AND IN PARTICULAR WHAT GOB DOES WITH OIL REVENUES. IMF WOULD BE INTERESTED IN KNOWING HOW EMBASSY ARRIVED AT 15 FIGURE (PARAGRAPH 3D OF REFTEL).

3. IMF REPRESENTATIVES FIND IT PARADOXICAL THAT PRICE AND WAGE INCREASES ACCOMPANIED BY ELIMINATION OF SUBSIDIES SHOULD RESULT IN INCREASE IN BUDGET DEFICIT, UNLESS WAGE INCREASES FOR PUBLIC SECTOR EMPLOYEES EXCEEDED TOTAL AMOUNT GOB WAS PAYING FOR SUBSIDIES. MONTHLY TABLE COMPARING CONSUMER PRICE INDEX WITH INDEX OF WAGE INCREASES WOULD BE USEFUL IN ANALYZING THIS QUESTION. KISSINGER

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